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Department of the Treasury
Internal Revenue Service

Instructions for Form 2119

Sale of Your Home

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.— We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	46 min.
Learning about the law or the form	13 min.
Preparing the form	45 min.
Copying, assembling, and sending the form to IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget,** Paperwork Reduction Project (1545-0072), Washington, DC 20503. **Do not** send this form to either of these offices. Instead, see **When and Where To File,** below.

General Instructions

Purpose of Form

Use Form 2119 to report the sale of your main home. If you replaced your main home, use Form 2119 to postpone all or part of the gain. Form 2119 is also used by people who were age 55 or older on the date of sale to elect a one-time exclusion of the gain on the sale.

Main Home.—Your main home is the one you live in most of the time. It can be a house, houseboat, housetrailer, cooperative apartment, condominium, etc.

You may want to get **Pub. 523,** Tax Information on Selling Your Home, for more details.

Who Must File

You must file Form 2119 with Form 1040 for the year in which you sell your main home, even if the sale resulted in a loss or you are electing the one-time exclusion for people age 55 or older. There may be additional filing requirements as well. See **When and Where To File**, below.

If part of your home was rented out or used for business in the year of sale, report that part of the sale on **Form 4797**, Sales of Business Property. See the instructions for line 3.

If you sold your home on the installment method, complete Form 2119 and **Form 6252,** Installment Sale Income.

If your home was damaged by fire, storm, or other casualty, see **Form 4684,** Casualties and Thefts, and its separate Instructions, and **Pub. 547,** Nonbusiness Disasters, Casualties, and Thefts.

If your home was condemned for public use, you can choose to postpone gain under the rules for a condemnation, or you can choose to treat the transaction as a sale of your home. For details, see Pub. 523.

Which Parts To Complete

Parts I and II.—You must complete Parts I and II.

Part III.—Complete this part only if you qualify for the **One-Time Exclusion for People Age 55 or Older** (see below), and you want to make the election for this sale.

Part IV.—Complete line 10 even if you did not take the exclusion in Part III. Complete lines 11 through 16 only if line 10 is more than zero and you answered "Yes" on line 2.

When and Where To File

File Form 2119 with your tax return for the year of sale.

Additional Filing Requirements.—If you have not replaced your home, but plan to do so within the replacement period (defined on page 2), you will also have to complete a second Form 2119.

- You must file the second Form 2119 by itself if:

1. You planned to replace your home within the replacement period, **and**

2. You later replaced your home within the replacement period, **and**

3. Your taxable gain (line 14c on the second Form 2119) is zero.

If your taxable gain is zero, no tax is due, but you must still file the second form to show that you replaced your home within the replacement period. Enter your name and address and sign and date the second form. If a joint return was filed for the year of sale, both you and your spouse must sign the second Form 2119. Send the form to the place where you would file your next tax return based on the address where you now live.

- You must file **Form 1040X,** Amended U.S. Individual Income Tax Return, for the year of sale with the second Form 2119 attached if:

1. You planned to replace your home when you filed your tax return, you later replaced your home within the replacement period, **and** you had a taxable gain on line 14c of the second Form 2119; **or**

2. You planned to replace your home when you filed your tax return, but did **not** do so within the replacement period; **or**

3. You did **not** plan to replace your home when you filed your tax return and included the gain in income, but later you did replace your home within the replacement period.

Report the correct amount of gain from Form 2119 on Schedule D (Form 1040) and attach both forms to Form 1040X. Interest will be charged on any additional tax due. If tax is to be refunded to you, interest will be included with the refund.

One-Time Exclusion for People Age 55 or Older

Generally, you can elect to exclude from your income up to $125,000 ($62,500 if married filing a separate return) of the gain from one sale of any main home you choose. To make the election for this sale, complete Part III and answer "Yes" on line 9d. You qualify to make the election if you meet **ALL** of the following tests:

1. You or your spouse were age 55 or older on the date of sale,

2. Neither you nor your spouse have ever excluded gain on the sale of a home after July 26, 1978, and

3. The person who was age 55 or older owned and lived in the home for periods adding up to at least 3 years within the 5-year period ending on the date of sale.

For purposes of test 3, if you were physically or mentally unable to care for yourself, count as time living in your main home any time during the 5-year period that you lived in a facility such as a nursing home. The facility must be licensed by a state (or political subdivision) to care for people in your condition. For this rule to apply, you must have owned and used your residence as your main home for a total of at least 1 year during the 5-year period. See Pub. 523 for more details.

The gain excluded is never taxed. But, if the gain is more than the amount excluded, the excess gain is either included in your income or postponed, as explained on page 2. Generally, you can make or revoke the election within 3 years from the due date of your return (including extensions) for the year of sale. To make or revoke the election, file Form 1040X with Form 2119 attached.

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Married Taxpayers.—If you and your spouse owned the property jointly and file a joint return, only one of you must meet the age, ownership, and use tests to be able to make the election. If you did not own the property jointly, the spouse who owned the property must meet these tests.

If you were married at the time of sale, both you and your spouse must agree to exclude the gain. If you do not file a joint return with that spouse, your spouse must agree to exclude the gain by signing a statement saying, "I agree to the Part III election." The statement and signature may be made on a separate piece of paper or in the bottom margin of Form 2119.

If you sell a home while you are married, and one spouse already made the election prior to the marriage, neither of you can exclude gain on the sale.

The election to exclude gain does not apply separately to you and your spouse. If you elect to exclude gain during marriage and later divorce, neither of you can make the election again.

Postponing Gain

If you buy or build another main home and move into it within the replacement period (defined below), you must postpone all or part of the gain in most cases. The amount of gain postponed is shown on line 15.

If one spouse dies after the old home is sold and before the new home is purchased, the gain from the sale of the old home is postponed if the above requirements are met, the spouses were married on the date of death, and the surviving spouse uses the new home as his or her main home. This rule applies regardless of whether the title of the old home is in one spouse's name or is held jointly. For more details, see Pub. 523.

If you bought more than one main home during the replacement period, only the last one you bought qualifies as your new main home for postponing gain. If you sold more than one main home during the replacement period, any sale after the first one does not qualify for postponing gain. However, these rules do not apply if you sold your home because of a job change that qualifies for a moving expense deduction. If this is the case, file a Form 2119 for each sale, for the year of the sale, and attach an explanation for each sale (except the first) to Form 2119. For more details on qualifications for moving expenses, get **Pub. 521,** Moving Expenses.

Replacement Period.—Generally, the replacement period starts 2 years before and ends 2 years after the date you sell your former main home. The replacement period may be longer if you are on active duty in the U.S. Armed Forces for more than 90 days, or if you live and work outside the U.S. For more details, see Pub. 523.

Applying Separate Gain to Basis of New Home.—If you are married and the old home was owned by only one spouse, but you and your spouse own the new home jointly, you and your spouse may elect to divide the gain and the adjusted basis. If you owned the old home jointly, and you now own new homes separately, you may elect to divide the gain to be postponed. In either situation, you both must:

1. Use the old and new homes as your main homes, and

2. Sign a statement that says, "We agree to reduce the basis of the new home(s) by the gain from selling the old home." This statement can be made in the bottom margin of Form 2119 or on an attached sheet.

If you both do not meet these two requirements, you must report the gain in the regular way without allocation.

Line-by-Line Instructions

You may not take double benefits. For example, you cannot use the moving expenses that are part of your moving expense deduction on **Form 3903,** Moving Expenses, to lower the amount of gain on the sale of your old home or to add to the cost of your new home.

Line 1b.—If you report the gain from the sale of your home on Form 6252 using the installment method, complete Form 2119 first. When completing Form 6252, be sure to enter the total of lines 9g and 15 of Form 2119 on line 11 of Form 6252. Do not enter the gain from Form 2119 on Schedule D (Form 1040).

Note: *Report interest you receive on a note (or other financial instrument) as interest income for the tax year in which you receive it.*

Line 3.—If any part of either home was rented out or used for business for which a deduction is allowed, check "Yes."

- If part of your former main home was rented out or used for business in the year of sale, treat the sale as two separate sales. Report the part of the sale that applies to the rental or business use on Form 4797. Report only the part of the sale that represents your main home on Form 2119. You must allocate the sales price, expense of sale, and the basis of the property sold between Forms 2119 and 4797.

Note: *Only the part of the fixing-up expenses that applies to your main home may be included on line 11. These amounts are not allowed on Form 4797.*

Attach a statement showing the total selling price of the property and the method used to allocate the amounts between Forms 2119 and 4797. You cannot postpone or take the one-time exclusion on the part of the gain that is reported on Form 4797.

- If part of your new main home is rented out or used for business, enter on line 13b only the part of the total cost of the property that is allocable to your new main home. Attach a statement showing the total cost of the property and the allocation between the part that is your new main home and the part that is rented out or used for business.

For more details, see Pub. 523.

Line 4—Selling Price of Home.—Enter the gross sales price of your old home. Generally, this includes the amount of money you received, plus all notes, mortgages, or other debts that are part of the sale, and the fair market value of any other property you received.

Line 5—Expense of Sale.—Enter your expense of sale, such as commissions, advertising expenses, and attorney and legal fees, that you paid in selling your old home. Loan charges, such as points charged to the seller, are also selling expenses. Do not include fixing-up expenses on this line, but see the instructions for line 11.

Line 7—Basis of Home Sold.—If you filed a Form 2119 when you originally bought your old home (to postpone gain on a previous sale of a home), use the adjusted basis of the new home from the last line of that Form 2119 as the starting point to figure the basis of your old home. If you did not file a Form 2119 to postpone gain when you originally bought your old home, use the cost of the home including any expenses incurred to buy the home as the starting point.

Add the cost of any capital improvements, and subtract any depreciation, casualty losses, or energy credits you reported on your tax return(s) that were related to your old home. For more details, get **Pub. 551,** Basis of Assets.

If you acquired your home other than by purchase, such as by gift, inheritance, or trade, see Pub. 523 and Pub. 551 to figure the basis.

Line 11—Fixing-up Expenses.—Enter the amount paid for work performed on your old home in order to help sell it. Do not include amounts that are otherwise deductible, or selling expenses included on line 5. The expenses must be for work performed within 90 days before the contract to sell the home was signed and paid within 30 days after the sale. Do not include expenses for permanent improvements or replacements, which should be added to the basis of the property sold.

Line 13b—Cost of New Home.—The cost of your new home includes one or more of the following:

1. Cash payments,

2. The amount of any mortgage or other debt on the new home,

3. Commissions and other purchase expenses you paid that were not deducted as moving expenses, and

4. Any capital expenses incurred within 2 years before or 2 years after the sale of your old home.

If you build your new home, include all construction costs incurred within 2 years before and 2 years after the sale of the old home. Do not include the value of your own labor.